

DPD-1549-61
10 March 1961

ITEK

File BB-300

MEMORANDUM FOR: Office of General Counsel

SUBJECT : Request for Contact with Renegotiation Board

REFERENCE : Memo, Applicability of Renegotiation Act of
1951 to DPD Contracts, dated 2 March 1960,
(DPD-0961-60)

25X1A 1. The referenced memorandum (copy attached) sets forth the results of certain discussions with the Renegotiation Board regarding the applicability of the Renegotiation Act to CIA contracts entered into with industry on our own behalf [REDACTED] 25X1A
[REDACTED] These results led to the recommendation in the memorandum that we hold all our contracts, [REDACTED] exempt from the Act. This was concurred in by the DD/P.

2. Accordingly, all contractors holding contracts from DPD have been advised of this exemption. However, Information Technology Laboratories, a Division of ITEK Corporation, has inadvertently reported to the Renegotiation Board certain dollar amounts under contracts they hold directly from DPD or subcontracts from Lockheed Missile System Division who hold a Prime contract with DPD. These amounts cover their Fiscal Year 1959. The sequence of events covering this mistake are set forth in the attached cable [REDACTED]. 25X1A

3. As indicated in the cable, ITL has only revealed the dollar amounts and no mention has been made of the contract or subcontract numbers, customer, scope of work, etc. A subsequent phone conversation with ITL furnished the following information:

ITL had a total dollar volume of \$10,900,000 in FY-59. Of this amount, \$10,200,000 was reported as being subject to the Act. Of this latter amount, \$4,289,000 was in performance of CIA contracts or subcontracts. The applicable ITL project numbers identified with this work are 9103, 9113, 9005 and 9007. The first two cover subcontracts from LMSD on the [REDACTED] Programs. The latter two cover contracts directly with DPD for CORONA Exploitation Equipment and CORONA Computer Programs.

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4. From the context of the cable, it appears that an attempt by the Renegotiation Board to renegotiate ITL profits for Fiscal Year 1959 will be made. The sensitivity of these contracts is such that this could compromise the CORONA Program and other Projects of vital interest to CIA.

5. In view of the foregoing, it is recommended that the OGC representative in DPD contact the Renegotiation Board in Washington ASAP, explain to them that ITL erroneously reported work under CIA contracts, and ask that the Board's New York Regional Office drop their request for any additional information regarding the ITL Project numbers set forth above. If this is satisfactory, we will inform ITL to write a letter to the Board confirming that their report was in error and submitting a revised report omitting CIA work. Since the New York Regional Office is pressing ITL for this information, your earliest cooperation would be appreciated.

SIGNED

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Chief, Contracts Staff, DPD

CB/DPD-DD/P::cc 25X1A
Orig - OGC (Nate Fitts)
2 - A/CH/DPD
3 - SEC/DPD
4 - FIN/DPD
5 - CB/DPD
6 - RI/DPD

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